



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 15, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **COMMUNITY AND SENIOR SERVICES - FISCAL MONITORING OF
AREA AGENCY ON AGING PROGRAM SERVICE PROVIDERS FOR
FISCAL YEAR 2007-08**

Community and Senior Services (CSS) contracts with 49 cities and community-based, non-profit organizations (service providers) to provide Area Agency on Aging (AAA) program services. AAA program services include meals, legal assistance, health insurance counseling, housekeeping and personal care for older and functionally impaired adults.

CSS' AAA contracts are fee-for-service agreements, under which providers are paid a set fee for each unit of service provided. The AAA contracts also require that, if a provider's actual costs are less than the total amount paid to the provider, the provider must get approval from CSS to use excess earnings to provide additional units of AAA services or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accounting firm, Simpson & Simpson (monitor), to conduct fiscal monitoring of 48 service providers that had contracts with CSS during Fiscal Year (FY) 2007-08. CSS paid approximately \$18.8 million to the AAA service providers during the year. Another Certified Public Accountant, Moss, Levy & Hartzheim, monitored one of the providers because Simpson & Simpson had done other work for that provider. To avoid a conflict of interest, Simpson & Simpson did not perform the monitoring.

The fiscal monitoring was done in two phases. During Phase I, the monitors made on-site visits to the providers. The monitoring covered the contract period from July 1,

2007 through September 30, 2007. During Phase II, the monitors followed up on the findings and recommendations from their Phase I reports.

Review Summary

Attachment 1 summarizes the findings for each service provider. The monitors identified \$358,935 in findings, primarily related to costs that do not meet the matching requirements of the contract, improperly allocated costs, unsupported expenditures, improperly recorded revenues and expenditures and excess earnings. If these findings are not resolved, the service providers may need to adjust their revenues and/or expenditures, which could result in excess earnings. As noted earlier, if providers have excess earnings, the funds must either be used to provide additional AAA services or be returned to CSS. During the fiscal monitoring for FY 2008-09, the monitor will determine if any of the providers had excess earnings for FY 2007-08.

Simpson & Simpson prepared a management letter (Attachment 2) for the monitoring they completed. It recommends that CSS provide technical assistance to the service providers to ensure the service providers: (1) have an adequate understanding of cost principles established by the Office of Management and Budget, and (2) understand and comply with matching requirements of their contracts. Moss, Levy & Hartzheim did not identify any issues in their monitoring of one provider that would have required a management letter.

Review of Report

The monitors discussed each report with CSS and the appropriate service provider. CSS indicated that they have resolved all of the monitors' findings, with the exception of two findings for the City of Inglewood. CSS has suspended payments to the City of Inglewood pending resolution of these findings. In addition, CSS indicated they conducted cost allocation training for all service providers in April 2008, and will continue to provide ongoing technical assistance to the service providers. Attachment 3 is CSS' response and action plan to address Simpson & Simpson's recommendations.

Because of the number of service providers, copies of individual reports are not enclosed but are available for your review. Please call me if you have any questions, or have your staff call Terri Kasman at (213) 253-0103 if you wish to review any reports.

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Public Information Office
Audit Committee

Department of Community and Senior Services
Fiscal Monitoring of Area Agency on Aging Service Providers
Fiscal Year 2007-08

Attachment 1

	Service Provider	Contract Amount	No. of Recommendations	No. of Implemented Recommendations	Dollar Findings - See Footnotes on Page 2					
					A	B	C	D	E	Total
1	Alhambra, City of	\$42,605	1	1					(1)	
2	AltaMed Health Services Corporation	\$245,960	7		(1)	\$48,529	\$804 (1)		(1)	\$49,333 (1)
3	Alzheimer's Association	\$89,891	0							
4	Antelope Valley Committee on Aging	\$683,985	4	1	(1)		\$925		(1)	\$925 (1)
5	Armenian Relief Society	\$40,909	0							
6	Azusa, City of	\$99,239	4	1	\$10,633				(1)	\$10,633 (1)
7	Behavioral Health Services	\$219,048	1		(1)					(1)
8	Bet Tzedek	\$280,000	0							
9	Burbank, City of	\$335,618	4		(1)					(1)
10	Casa Maravilla, Inc.	\$550,642	1	1					\$34,581	\$34,581
11	Center for Health Care Rights	\$862,578	1	1						
12	Claremont, City of	\$89,745	0							
13	Consulting Nutritional Service	\$275,986	0							
14	Culver City Senior Nutrition	\$142,185	0							
15	Dickison Community Lighted Schools	\$366,950	1						\$1,517	\$1,517
16	El Monte, City of	\$171,704	1	1			(1)			(1)
17	Escapa-Chinatown	\$661,182	1	1		(1)				(1)
18	Food & Nutrition Management	\$465,956	0							
19	Gardena, City of	\$426,762	2		\$957				(1)	\$957 (1)
20	Glendale, City of	\$273,607	4	1	\$484				(1)	\$484 (1)
21	Heritage Clinic & Community Assistance	\$91,092	0							
22	Human Services Association	\$2,138,607	4			\$600	\$25,377		(1)	\$25,977 (1)
23	Huntington Hospital Association/Pasadena	\$349,994	0							
24	Inglewood, City of	\$598,444	5		(1)					(1)
25	Jewish Family Services	\$386,106	0							
26	Just Rite Community Programs	\$278,081	1	1						
27	Life Steps Foundation	\$91,092	3		(1)		(1)		\$8,980	\$8,980 (1)
28	Los Amigos Research & Education/Rancho Adult Day Care	\$91,092	1		\$4,869					\$4,869
29	LTSC Community Development Corporation	\$192,527	1						\$24,375	\$24,375
30	Norwalk, City of	\$76,028	0							

Department of Community and Senior Services
Fiscal Monitoring of Area Agency on Aging Service Providers
Fiscal Year 2007-08

Attachment 1

	Service Provider	Contract Amount	No. of Recommendations	No. of Implemented Recommendations	Dollar Findings - See Footnotes on Page 2					
					A	B	C	D	E	Total
31	Office of Samoan Affairs	\$46,830	1		(1)					(1)
32	Oldtimers Foundation, Inc.	\$1,249,449	4	2	(1)		\$1,297		\$9,572	\$10,869 (1)
33	Partners In Care Foundation ADHCC	\$91,092	4	1	(1)					(1)
34	Pomona Valley Community Service	\$78,375	2	1	(1)		(1)			(1)
35	Pomona, City of	\$143,571	3	1	\$6,524				(1)	\$6,524 (1)
36	San Gabriel Valley YWCA	\$1,400,035	4	1	(1)	\$3,808			(1)	\$3,808 (1)
37	Santa Anita Family Service	\$874,644	5	1	(1)	\$2,120	\$72	\$91,498	(1)	\$93,690 (1)
38	Santa Clarita Valley Committee on Aging	\$973,108	0							
39	Santa Monica, City of	\$166,738	2	2			(1)		\$49,623	\$49,623 (1)
40	Senior Care Action Network (SCAN)	\$197,307	0							
41	Single Room Occupancy Housing Corp	\$71,500	0							
42	South El Monte, City of	\$93,866	2	1			(1)		(1)	(1)
43	Southeast Area Social Services Funding Authority (SASSFA)	\$774,494	0							
44	Special Services for Groups	\$280,329	3	1	\$3,926 (1)				\$23,416	\$27,342 (1)
45	Torrance/South Bay YMCA	\$180,183	0							
46	USC/LA Caregiver Resource Center	\$307,142	0							
47	Villa Esperanza	\$249,907	4	1	(1)		\$677		(1)	\$677 (1)
48	West Covina, City of	\$128,736	4			\$3,771	(1)			\$3,771 (1)
49	WISE	\$1,713,922	1		(1)					(1)
Total		\$19,638,843	86	21	\$27,393	\$58,828	\$29,152	\$91,498	\$152,064	\$358,935

Code Summary

- A** No documentation to support the cost allocation method or expenditures were improperly allocated to the program
- B** Expenditures charged to program or units billed are not supported with documentation
- C** Program expenditures or revenues are not recorded or are inappropriately recorded on service provider's accounting records
- D** Excess earnings that need to be returned to CSS or CSS approval required to use excess earnings for AAA program
- E** Does not meet matching requirements or improperly recorded matching expenditures

Footnotes

- (1) Monitor was not able to determine the dollar value of one or more findings in this category



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRINARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

Attachment 2

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Ms. Wendy L. Watanabe
Acting Auditor-Controller
Department of Auditor-Controller
500 W. Temple St. Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe:

In planning and performing the 2007-2008 Department of Community and Senior Services Area Agency on Aging (AAA) Programs Fiscal Monitoring, we noted certain matters involving the Department of Community and Senior Services' (CSS) internal control structure relating to their contracted agencies' accounting and contract administration that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report AAA grant expenditures reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's grant expenditures that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the grant expenditures or a type of compliance requirement of the AAA program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, during our monitoring review, we became aware of two matters that are opportunities for strengthening the internal controls and operating efficiency as described in the accompanying Exhibit I.



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The scope of our engagement was limited to monitoring AAA service providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in cursive script, appearing to read 'Simpson & Simpson'.

Los Angeles, California
October 16, 2008

SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS

Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers

Condition

During our monitoring visits to service providers, we noted 12 agencies have the following repeated findings from prior years:

- Certain service providers are inappropriately charging indirect or shared costs to the AAA programs.
- Required documentation for the charged costs is not properly maintained by certain service providers.

Recommendation

Since the service providers had not implemented the current year recommended corrective actions, the findings were not closed as of our issuance of the FY 07-08 follow-up reports. The above indicated findings were reported in the previous years' monitoring reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget fiscal policies (OMB) and the contract. We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that the service providers have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.

Observation #2 – Lack of Understanding of Matching Requirements

Condition

During our monitoring visits, we noticed that 16 service providers did not have an adequate understanding of the matching requirements and the source documents the service provider is required to maintain to support the matching costs.

SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS
-Continued-

Observation #2 – Lack of Understanding of Matching Requirements

Recommendation

We recommend that CSS issue an additional directive and provide technical assistance to the service providers to ensure the service providers understand and comply with the appropriate standards needed to meet the matching requirements.



CYNTHIA D. BANKS
Director

**COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY**

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MICHAEL D. ANTONOVICH

March 13, 2009

AMENDED May 15, 2009
Revised Page 2, Observation #2,
CSS Response changed training
date from 4-30-2009 to June 30, 2009

To: Wendy L. Watanabe
Auditor-Controller

From: *Cynthia D Banks* (MD)
Cynthia D. Banks
Director

Subject: **FY 2007-08 Community and Senior Services Area Agency on Aging
(AAA) Programs Fiscal Monitoring Reviews**

The following is Community and Senior Services' (CSS) response to Simpson & Simpson's (S&S), Certified Public Accountants, letter dated October 16, 2008 regarding the results of their fiscal monitoring reviews of our FY 2007-08 Area Agency on Aging Program contract service providers.

Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers

During our monitoring visits to a number of service providers, we noted 12 agencies have the following repeated findings from prior years:

- Certain service providers are inappropriately charging indirect or shared costs to the AAA programs.
- Required documentation for the charged costs is not properly maintained by certain service providers.

Recommendation

Since the service providers had not implemented the recommended corrective actions, the findings were not closed as of our issuance of the follow-up reports. The above indicated findings were reported in the previous year's monitoring reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget fiscal policies (OMB) and the contract. We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that they have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.

CSS Response

We agree with this recommendation. CSS created Cost Allocation Plan templates and provided general Cost Allocation and template training to all service providers in April 2008. We will continue to monitor the agencies adherence to the OMB Circular requirements.

Observation #2 –Lack of Understanding of Matching Requirements

During our monitoring visits, we noticed that 16 service providers did not have an adequate understanding of the matching requirements and the source documents the service provider is required to maintain to support the matching costs.

Recommendation

We recommend that CSS issue an additional directive and provide technical assistance to the service providers to ensure the service providers understand and comply with the appropriate standards needed to meet the matching requirements.

CSS Response

We agree with this recommendation. By June 30, 2009, CSS will reissue the in-kind match directive and provide training on compliance with federal in-kind match guideline requirements (OMB A-110 and A-122).

Implementing these recommendations will strengthen the Department's contract operations for the Area Agency on Aging programs. CSS will continue to work closely with our service providers to correct any shortcomings through ongoing technical assistance and training to assist our service providers in understanding contractual fiscal requirements.

Please let me know if you have questions, or your staff may contact Jackie Lynn Sakane, Program Manager, Contract Compliance Division at (213) 739-7321.

CDB: MQ:
JLS:dc

Attachment

c: Simpson & Simpson, CPA